

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE OF RHODE ISLAND

Disproportionate Share Hospital Policy

Disproportionate Share Hospitals

I. Criteria

For purposes of complying with Section 1923 of the Act, the Department of Human Services, the designated Single State Agency for the Title XIX Medical Assistance Program, will determine which hospitals can be deemed eligible for a disproportionate share payment adjustment.

1. Rhode Island defines disproportionate share hospitals as those hospitals providing services under Section 1905 (a)(1) meeting the following criteria:
 - A. A medical assistance inpatient utilization rate at least one standard deviation above the mean medical assistance inpatient utilization rate for hospitals receiving medical assistance payments in the State; or
 - B. A low-income inpatient utilization rate exceeding 25 percent; and
 - C. The hospital has at least two obstetricians with staff privileges at the hospital who have agreed to provide obstetric services to individuals entitled to such services under the Rhode Island Medical Assistance Program. This requirement does not apply to a hospital where a) the inpatients are predominately individuals under 18 years of age or b) does not offer non-emergency obstetrical services as of 12/22/87.

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE OF RHODE ISLAND

II. Definitions of Criteria

1. Medical Assistance inpatient utilization rate means, for a hospital, a fraction (expressed as a percentage), the numerator of which is the hospital's number of inpatient days attributable to patients who (for such days) were eligible for Rhode Island Medical Assistance Program in a period, and the denominator of which is the total number of the hospital's inpatient days in that period.
2. Low income utilization rate means, for a hospital, the sum of --
 - A. the fraction (expressed as a percentage) the numerator of which is the sum (for a period) of the total medical assistance revenues paid the hospital for patient services, and the amount of the cash subsidies for patient services received directly from State and local governments, and the denominator of which is the total amount of revenues of the hospital for patient services (including the amount of such cash subsidies) in the period; and
 - B. a fraction (expressed as a percentage), the numerator of which is the total amount of the hospital's charges for inpatient hospital services which are attributable to charity care in a period, less the portion of any cash subsidies described in subparagraph (A) in the period reasonably attributable to inpatient hospital services, and the denominator of which is the total amount of the hospital's charges for inpatient hospital services in the hospital in the period.

The numerator under subparagraph (B) shall not include contractual allowances and discounts (other than for indigent patients not eligible for medical assistance).

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II. Definitions of Criteria

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2. Low income utilization rate means, for a hospital, the sum of --
 - A. the fraction (expressed as a percentage) the numerator of which is the sum (for a period) of the total medical assistance revenues paid the hospital for patient services, and the amount of the cash subsidies for patient services received directly from State and local governments, and the denominator of which is the total amount of revenues of the hospital for patient services (including the amount of such cash subsidies) in the period; and
 - B. a fraction (expressed as a percentage), the numerator of which is the total amount of the hospital's charges for inpatient hospital services which are attributable to charity care in a period, less the portion of any cash subsidies described in subparagraph (A) in the period reasonably attributable to inpatient hospital services, and the denominator of which is the total amount of the hospital's charges for inpatient hospital services in the hospital in the period.

The numerator under subparagraph (B) shall not include contractual allowances and discounts (other than for indigent patients not eligible for medical assistance).

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STATE OF RHODE ISLAND

III. Payment Adjustment

1. The State of Rhode Island shall make a disproportionate share payment to each qualifying facility in accordance with the following formula: Payments specified herein are in addition to those payments defined elsewhere in 4.19A whether or not such payments are prospective or based on reasonable cost. For the period from the effective date of this amendment through September 30, 1991, the State shall make a payment on or about September 30, 1991, as follows:
 - A. For hospitals that exceed the Medical Assistance inpatient utilization rate by more than one standard deviation unit, each hospital shall receive \$10,000 plus the proportional share of the \$150 million. That sum shall be distributed among the qualifying facilities in the direct proportion that the utilization rate in each facility exceeds one standard deviation.
 - B. For hospitals whose low income utilization rate exceed 25 percent, the payment(s) will equal \$1,000 plus the proportional share of \$6 million. That sum shall be distributed among the qualifying facilities in the direct proportion that the utilization rate in each facility exceeds 25 percent. For purposes of this section, the low income utilization rate for 1990 will be examined.
 - C. Hospitals which qualify under both 1.A. and 1.B. shall be paid in accordance with 1.A.

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I. Criteria

For purposes of complying with Section 1923 of the Act, the Department of Human Services, the designated Single State Agency for the Title XIX Medical Assistance Program, will determine which hospitals can be deemed eligible for a disproportionate share payment adjustment.

- I. Rhode Island defines disproportionate share hospitals as those licensed hospitals within the State of Rhode Island providing inpatient and outpatient services meeting the following criteria:
 - A. A medical assistance inpatient utilization rate at least one standard deviation above the mean medical assistance inpatient utilization rate for hospitals receiving medical assistance payments in the State; or
 - B. A low-income inpatient utilization rate exceeding 25 percent (however in no event shall the Medical Assistance inpatient utilization rate be less than 1 percent); or
 - C. A medical assistance inpatient utilization rate of not less than 1 percent, and
 - D. The hospital has at least two obstetricians with staff privileges at the hospital who have agreed to provide obstetric services to individuals entitled to such services under the Rhode Island Medical Assistance Program. This requirement does not apply to a hospital where a) the inpatients are predominately individuals under 18 years of age or b) does not offer non-emergency obstetrical services as of 12/22/87.

II. Definitions

- I. Medical Assistance inpatient utilization rate means, for a hospital, a fraction (expressed as a percentage), the numerator of which is the hospital's number of inpatient days attributable to patients who (for such days) were eligible for Rhode Island Medical Assistance Program in a period, and the denominator of which is the total number of the hospital's inpatient days in that period.

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2. Low income utilization rate means, for a hospital, the sum of --

- A. A fraction (expressed as a percentage), the numerator of which is the sum (for a period) of the total medical assistance revenues paid the hospital for patient services, and the amount of the cash subsidies for patient services received directly from State and local governments, and the denominator of which is the total amount of revenues of the hospital for patient services (including the amount of such cash subsidies) in the period; and
- B. a fraction (expressed as a percentage), the numerator of which is the total amount of the hospital's charge for inpatient hospital services which are attributable to charity care in a period, less the portion of any cash subsidies described in subparagraph (A) in the period reasonably attributable to inpatient hospital services, and the denominator of which is the total amount of the hospital's charges for inpatient hospital services in the hospital in the period.

The numerator under subparagraph (B) shall not include contractual allowances and discounts (other than for indigent patients not eligible for medical assistance).

III. Payment Adjustment

- 1. For Federal fiscal year 1999, and for federal fiscal years thereafter, the State shall make a payment on or after October 1st (but no later than October 29th) to each qualifying facility in accordance with the following formula:
 - A. For all licensed hospitals within the State of Rhode Island that meet or exceed the criteria set forth in section 1923(b) of the Social Security Act, \$1,000 plus the proportional share of \$200,000 inflated each year by the maximum percent increase allowed in the Maxicap System for Statewide Expense Reimbursement for Rhode Island hospitals. That sum shall be distributed among the qualifying facilities in the direct proportion that the utilization rate in each facility exceeds 25 percent.

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- B. For state operated hospitals which exceed the Medical Assistance inpatient utilization rate by more than one standard deviation, there shall be an additional payment of \$10,000 plus the proportional share of \$12,542,615 inflated each year (by the maximum percent increase allowed in the Maxicap System for Statewide Expense Reimbursement for Rhode Island hospitals). That sum shall be distributed among the qualifying facilities in the direct proportion of the weighted average yielded by the multiplication of the percentage points that the medical assistance utilization rate exceeds one standard deviation unit above the mean, times the total dollars expended for medical assistance care.
- C. For women and infant specialty hospitals licensed within the State of Rhode Island (i.e., hospitals with more than 5,000 births annually and a neo-natal intensive care unit) which exceed the Medical Assistance in-patient utilization rate by more than one standard deviation unit or whose low income utilization exceeds 25%, \$1,000 plus the proportional share of \$1.7 million inflated each year by the maximum percent allowed in the Maxicap System for Statewide Expense Reimbursement for Rhode Island hospitals. That sum shall be distributed among the qualifying facilities in direct proportion of the weighted average yielded by the multiplication of the percentage points that the low income utilization rate exceeds 25% times the total dollars expended for low income care.
- D. For non-government hospitals licensed within the State of Rhode Island, whose Medicaid inpatient utilization rate exceeds 1%, there shall be an additional payment not to exceed \$45 million to compensate hospitals for uncompensated care (as defined below) and shall be paid in an amount equal to the lesser of the hospital's uncompensated care for the hospital's fiscal year or 2.6% of adjusted gross patient services revenue. Adjusted gross patient services revenue is defined as the dollar amount of all chargeable services in the hospital's fiscal year.
- E. Women and infant specialty hospitals which qualify shall be paid only in accordance with sections A, C and D. Psychiatric hospitals which qualify shall be paid only in accordance with A. State hospitals which qualify shall be paid only in accordance with sections A and B.

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- F. Uncompensated care is defined as the sum of the cost incurred for inpatient or outpatient services attributable to: 100% of charity care (free care and bad debts) for which the patient has no health insurance or other third party coverage, less payments received directly from patients; and, costs attributable to Medicaid clients less Medicaid reimbursement.

The utilization rates, costs and uncompensated care for the most recently completed hospital fiscal year for which data is available (hospital fiscal year 1995) will be utilized to determine each hospital's payment. 1995 uncompensated care costs shall be indexed by the Maxicap for each subsequent year to calculate the costs for the year in which payments are made. The total payment will not exceed the state cap, sec. 1923(g).

- G. Rhode Island's share of any national disproportionate share allocation in addition to the foregoing amounts and any undistributed monies from sections A, C, and D (should no hospitals qualify in those categories) shall be added to the \$12,542,615 in section B and distributed by the same proportion and methodology.

- H. In the event that federal funds made available to the state in any given year are insufficient to fully finance the above sections, the pool available in each section shall be ratably reduced in direct proportion to the federal funds available for Disproportionate Share payments.

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Prospective Rating Experiment
Inpatient Ancillary Corridor
Downside Provision - Third Party Protection

Condition: If actual inpatient ancillary revenue for the year falls below budgeted inpatient ancillary revenue and if the hospital's average length of stay for the year increases from budgeted length of stay for the year, then the following adjustment will apply in terms of adjusting the 65% guaranteed revenue provision. Adjustment will only apply to those hospitals whose average length of stay exceeds matched patient stays (per the PAS L.O.S. report - national data) at the end of the fiscal year.

1. Actual Admissions for the Year X (Actual L.O.S. - Budgeted L.O.S.) = Excess Days
2. $\frac{\text{Excess Days}}{\text{Budgeted Days}} \times (\text{Budgeted Inpatient Ancillary Revenue} - \text{Actual Inpatient Ancillary Revenue}) \times 65\% = \text{Adjustment for increased L.O.S.}$
3. Computation - amount due from third parties:
 $(\text{Budgeted Inpatient Ancillary Revenue} - \text{Actual Inpatient Ancillary Revenue}) \times 65\% - \text{the above adjustment for increased L.O.S.} = \text{Amount due from third parties}$

EXAMPLES:

A. Fiscal Year Budget Assumptions:

1. Budgeted Inpatient Ancillary Revenue	\$6,000,000
2. Budgeted Admissions	10,000
3. Budgeted Days	80,000
4. Budgeted L.O.S.	8.0

3. Computation - amount due third parties (con't.)
EXAMPLES:

D. Situation 3 - Admissions Up, L.O.S. Up

1. Actual Admissions

10,500

2. L.O.S.

8.5

$$10,500 \times (8.5 - 8.0) = 5,250$$

5,250

$$\frac{5,250}{80,000} \times (\$6,000,000 - \$5,900,000) \times 65\% = \$4,265.95$$

Downside Payback

$$(\$6,000,000 - \$5,900,000) \times 55\% = \$65,000 - \$4,265.95 = \$60,734.05$$

4. In all cases, the appropriate Ratio of Costs to Charges (RCC) will apply.

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